Port St Johns Municipality
Consolidated Financial Statements
for the year ended 30 June 2018

General Information

Legal form of entity	Municipality
Nature of business and principal activities	The main business operation of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: Rates, Refuse and Waste Management Services - The collection and disposal of refuse.
Members of council	
Mayor	Councillor Mlombile/ Cingo N (Appointed 17 February 2018)
	Councillor Rolobile L
Speaker	Councillor Nokhanda B (Appointed 17 February 2018)
	Councillor Khulula T
Chief Whip	Councillor Nduku/ Mazuza C (Appointed 17 February 2018)
	Councillor Nokhanda B
Councillors	Councillor Bokwe N. F
	Councillor Cube Z. H
	Councillor Dyosoba M
	Councillor Fono K. M
	Councillor Jama F
	Councillor Fono N. C
	Councillor Khukula T
	Councillor Hobo M
	Councillor Madini D. V
	Councillor Mafaka F
	Councillor Majali N. P
	Councillor Majeke K
	Councillor Maqina Z
	Councillor Mavimbela S. V
	Councillor Rolobile L
	Councillor Mhlabeni Z
	Councillor Mfiki N
	Councillor Mnceba D.Z
	Councillor Mjakuja B
	Councillor Moni X
	Councillor Mtiki Z
	Councillor Mtuku N. B
	Councillor Mzungule A
	Councillor Ndamase L
	Councillor Msongelwa T. M
	Councillor Ntlatywa S. L
	Councillor Ntsham T
	Councillor Sicoto S.E
	Councillor Soga N. P
	Councillor Tani N
	Councillor Tshitsiliza N
	Councillor Tshotho G
	Councillor Totwana Z
	Councillor Vava N
	Councillor Veni M
	Councillor Vimba G. X
	Councillor Zweni R. M

General Information

Municipal demarcation code	EC 154
Grading of Local Authority	Grade 3
Capacity of local authority	Low
Chief Financial Officer (CFO)	Mrs P Gwana (Appointed 1 July 2015 - 31 July 2018)
Acting Chief Financial Officer	Ms N Hlangu (Appointed 10 August 2018)
Accounting Officer	Mr H T Hlazo(Appointed 20 August 2018) Mr B Mase(Appointed 14 February 2018 - 17 August 2018) Mr N Pakade(Appointed 1 April 2016 - 14 February 2018)
Business address	257 Main Street Port St Johns 5120
Postal address	P O Box 2 Port St Johns 5120
Bankers	Standard Bank
Auditors	Auditor General of South Africa

Index

The reports and statements set out below comprise the consolidated financial statements presented to the provincial legislature:

	Page
Accounting Officer's Responsibilities and Approval	4
Accounting Officer's Report	5 - 6
Consolidated Statement of Financial Position	7
Statement of Financial Performance	8
Statement of Changes in Net Assets	9
Consolidated Cash Flow Statement	10
Statement of Comparison of Budget and Actual Amounts	11 - 16
Accounting Policies	17 - 42
Notes to the Consolidated Financial Statements	43 - 75

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officers are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the consolidated financial statements and related financial information included in this report. It is the responsibility of the accounting officers to ensure that the consolidated financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the consolidated financial statements and was given unrestricted access to all financial records and related data.

The consolidated financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The consolidated financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officers acknowledge that they are ultimately responsible for the system of internal financial control established by the economic entity and place considerable importance on maintaining a strong control environment. To enable the accounting officers to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the economic entity and all employees are required to maintain the highest ethical standards in ensuring the economic entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the economic entity is on identifying, assessing, managing and monitoring all known forms of risk across the economic entity. While operating risk cannot be fully eliminated, the economic entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officers are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officers have reviewed the economic entity's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, they are satisfied that the economic entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the economic entity's consolidated financial statements. The consolidated financial statements have been examined by the economic entity's external auditors and their report is presented on page 5.

The consolidated financial statements set out on pages 5 to 75, which have been prepared on the going concern basis, were approved by the Accounting officer on 30 September 2018

Accounting Officer
Mr H T Hlazo

Port St Johns

Sunday, 30 September 2018

Accounting Officer's Report

The accounting officers submit their report for the year ended 30 June 2018.

1. Review of activities

Main business and operations

The economic entity is engaged in local governance activities, which include planning and promotion of intergrated development planning, land, economic and environment and supply of the following services to the community; Tourism, rates and refuse removal and operates principally in South Africa.The operating results an the satate of affairs of the entity are fully set out in the attached consolidated annual financial statements and do not in our opninon require any further comment.

2. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had an accumulated surplus (deficit) of R 449,690,686 and that the municipality's total assets exceed its liabilties by R 449,690,686.

The consolidated financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officers continue to procure funding for the ongoing operations for the municipality.

We draw attention to the fact at 30 June 2018, the Port St Johns Development Agency (PSJDA) had an accumulated surplus (deficit) of R (13 765 635) and that the entity's total liabilities exceeds its assets by R (13 765 635).

The budget allocations from the parent Municipality have not been adequate to cover all obligations of the agency over the years. This resulted in the agency either failing to pay the liabilities or paying them late. The liabilities accumulated and in some instance penalties and interest charges were incurred while the under funding continued.

The Board is currently engaging the parent Municipality for a council resolution to wind up the agency operations and liquidate the Section 21 Non Profit Company.

These PSJDA financial statements were prepared based on the expectation that the agency will not be able to continue to operate as a going concern for at least the next 12 months. This is due to the fact that the liabilities of the agency far exceeds its assets and the board action on a council resolution de-registered the Non Profit Company (NPC) on the 30th of December 2016 and commenced with registration of of a State Owned Company (SOC) wish would carry on similar functions as the ones which were done by the NPC.

Accordingly the agency adopted the liquidation basis of accounting, whereby assest and liabilities are measured at their estimated settlement amounts including costs that the agency expects to incur through the end of its liquidation (liquidation value). These estimated amounts are undiscounted and are recorded to the extend the agency has a reasonable basis for estimation.

Under the plan of winding up, the agency plans to 1) transfer assets and liabilities of the agency back to the parent Municipality and 2) liquidate the Section 21 Non Profit Company. The board anticipates that the liquidation of the NPC will be completed on or about the 30th of June 2019.

3. Subsequent events

The accounting officers are not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer

The Accounting Officer of the municipality during the year and at the date of this report is as follows:

Mr H T Hlazo

5. Bankers

The municipality banks with Standard Bank.

Accounting Officer's Report

6. Auditors

Auditor General of South Africa will continue in office for the next financial period.

Consolidated Statement of Financial Position as at 30 June 2018

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2018	2017	2018	2017
Assets					
Current Assets					
Inventories	8	1,587,716	1,149,462	1,587,716	1,149,462
Receivables from non-exchange transactions	4&5	6,281,010	4,490,536	6,281,010	4,490,536
VAT receivable	6	4,264,590	3,560,129	4,264,590	3,560,129
Other receivables	7	733,400	1,079,572	733,400	1,079,572
Receivables from exchange transactions	3	819,721	1,061,328	819,721	1,061,328
Cash and cash equivalents	2	57,908,801	49,602,292	57,804,801	48,913,631
		71,595,238	**60,943,319**	**71,491,238**	**60,254,658**
Non-Current Assets					
Investment property	9	11,461,003	11,461,003	11,461,003	11,461,003
Property, plant and equipment	10	406,762,767	395,294,092	406,291,296	394,884,786
		418,223,770	**406,755,095**	**417,752,299**	**406,345,789**
Total Assets		**489,819,008**	**467,698,414**	**489,243,537**	**466,600,447**
Liabilities					
Current Liabilities					
Finance lease obligation	13	260,843	96,137	226,102	11,746
Payables from exchange transactions	12	21,741,084	24,360,317	20,036,984	22,482,078
VAT payable	11	4,673,978	4,898,067	-	-
Consumer deposits		61,000	61,000	61,000	61,000
Employee benefit obligation	16	244,793	402,617	244,793	402,617
Unspent conditional grants and receipts	14	11,308,843	2,368,757	9,057,209	117,123
Provisions	17	5,583,430	5,259,688	-	-
		43,873,971	**37,446,583**	**29,626,088**	**23,074,564**
Non-Current Liabilities					
Finance lease obligation	13	321,224	127,571	228,001	-
Operating lease liability	15	1,917,574	1,822,535	1,917,574	1,822,535
Employee benefit obligation	16	2,631,390	2,053,009	2,631,390	2,053,009
Provisions	17	5,149,798	5,354,567	5,149,798	5,354,567
		10,019,986	**9,357,682**	**9,926,763**	**9,230,111**
Total Liabilities		**53,893,957**	**46,804,265**	**39,552,851**	**32,304,675**
Net Assets		**435,925,051**	**420,894,149**	**449,690,686**	**434,295,772**
Accumulated surplus		435,925,051	420,894,149	449,690,686	434,295,772

Port St Johns Municipality

Consolidated Financial Statements for the year ended 30 June 2018

Statement of Financial Performance

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2018	2017	2018	2017
Revenue					
Revenue from exchange transactions					
Service charges	20	862,744	804,339	862,744	804,339
Rental of facilities and equipment	21	20,821	55,643	20,821	55,643
Interest received from outstanding debtors		2,023,702	2,736,829	2,023,702	2,736,829
Licences and permits		46,537	60,435	46,537	60,435
Other income	22	660,994	1,731,568	660,994	1,646,068
Interest received - investment	19	3,691,816	3,154,272	3,691,816	3,153,437
Gain on disposal of assets		57,796	-	57,796	-
Fair value adjustments		105,886	160,104	-	-
Total revenue from exchange transactions		**7,470,296**	**8,703,190**	**7,364,410**	**8,456,751**
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	23	8,754,396	7,986,122	8,754,396	7,986,122
Other Income		-	4,063,947	-	4,063,947
Transfer revenue					
Government grants & subsidies	25	179,759,810	181,411,806	179,759,810	173,761,289
Fines, Penalties and Forfeits		355,650	371,400	355,650	371,400
Total revenue from non-exchange transactions		**188,869,856**	**193,833,275**	**188,869,856**	**186,182,758**
Total revenue	18	**196,340,152**	**202,536,465**	**196,234,266**	**194,639,509**
Expenditure					
Employee related costs	26	(71,289,094)	(59,207,549)	(66,478,372)	(54,624,977)
Remuneration of councillors and directors	27	(14,266,170)	(11,533,358)	(14,020,264)	(11,135,415)
Depreciation and amortisation	29	(31,301,660)	(26,356,770)	(31,116,335)	(26,242,021)
Finance costs	30	(980,627)	(1,502,908)	(449,545)	(492,940)
Lease rentals on operating lease		(76,108)	(83,565)	-	-
Debt Impairment	28	(7,205,329)	(3,067,128)	(7,205,329)	(3,067,128)
Contracted services	31	(5,548,483)	(10,031,401)	(5,548,483)	(10,031,401)
Transfers and Subsidies	32	-	(7,551,239)	(7,322,273)	(7,551,239)
Loss on disposal of assets		-	(1,118,338)	-	(1,118,337)
Lease rentals		(1,049,821)	(362,798)	(1,049,821)	(362,798)
General Expenses	33	(49,591,959)	(40,864,080)	(47,648,930)	(38,892,884)
Total expenditure		**(181,309,251)**	**(161,679,134)**	**(180,839,352)**	**(153,519,140)**
Surplus for the year		**15,030,901**	**40,857,331**	**15,394,914**	**41,120,369**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Economic entity		
Balance at 01 July 2016	**380,036,818**	**380,036,818**
Changes in net assets		
Surplus for the year	40,857,331	40,857,331
Total changes	40,857,331	40,857,331
Balance at 01 July 2017	**420,894,150**	**420,894,150**
Changes in net assets		
Surplus for the year	15,030,901	15,030,901
Total changes	15,030,901	15,030,901
Balance at 30 June 2018	**435,925,051**	**435,925,051**
Note(s)		

Figures in Rand	Accumulated surplus	Total net assets
Controlling entity		
Balance at 01 July 2016	**393,175,403**	**393,175,403**
Changes in net assets		
Surplus for the year	41,120,369	41,120,369
Total changes	41,120,369	41,120,369
Balance at 01 July 2017	**434,295,772**	**434,295,772**
Changes in net assets		
Surplus for the year	15,394,914	15,394,914
Total changes	15,394,914	15,394,914
Balance at 30 June 2018	**449,690,686**	**449,690,686**
Note(s)		

Port St Johns Municipality

Consolidated Financial Statements for the year ended 30 June 2018

Consolidated Cash Flow Statement

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2018	2017	2018	2017
Cash flows from operating activities					
Receipts					
Licences and permits		46,537	68,911	46,537	68,911
Service charges		333,184	430,399	333,184	430,399
Grants and subsidies		187,082,083	173,868,673	179,759,810	173,868,673
Interest income		3,691,816	3,154,272	3,691,816	3,153,437
VAT refunds		10,154,511	12,250,099	10,154,511	12,250,099
Interest from outstanding debtors		77,200	682,450	77,200	682,450
Other receipts		-	1,755,057	-	1,669,557
Rental of facilities and equipment		-	63,432	-	63,432
		-	78,250	-	78,250
Property rates		2,934,172	5,875,917	2,934,172	5,875,917
		204,319,503	198,227,460	196,997,230	198,141,125
Payments					
Employee costs and remuneration of councillors		(84,584,581)	(72,620,365)	(79,527,953)	(67,639,850)
Suppliers		(43,603,873)	(41,593,372)	(41,186,511)	(38,589,041)
Finance costs		(195,869)	(4,816)	(8,501)	(4,550)
Rental of equipment		-	(300,977)	-	-
Contracted services		(6,623,151)	(10,451,242)	(6,623,151)	(10,451,242)
Repairs and maintenance		(2,850,457)	(3,024,778)	(2,850,457)	(3,024,779)
Grants and subsidies paid		(8,347,391)	-	(8,347,391)	(8,608,411)
		(146,205,322)	(127,995,550)	(138,543,964)	(128,317,873)
Net cash flows from operating activities	35	**58,114,181**	**70,231,910**	**58,453,266**	**69,823,252**
Cash flows from investing activities					
Purchase of property, plant and equipment	10	(49,281,443)	(51,469,353)	(49,139,838)	(51,429,908)
Cash flows from financing activities					
Finance lease payments		(526,229)	(6,453,885)	(422,258)	(6,349,770)
Net increase/(decrease) in cash and cash equivalents		**8,306,509**	**12,308,672**	**8,891,170**	**12,043,574**
Cash and cash equivalents at the beginning of the year		49,602,292	37,293,620	48,913,631	36,870,057
Cash and cash equivalents at the end of the year	2	**57,908,801**	**49,602,292**	**57,804,801**	**48,913,631**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Economic entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	100,000	500,000	**600,000**	862,744	**262,744**	A1
Rental of facilities and equipment	125,000	(105,000)	**20,000**	20,821	**821**	
Interest received (trading)	1,700,000	(700,000)	**1,000,000**	2,023,702	**1,023,702**	A2
Licences and permits	150,000	(80,000)	**70,000**	46,537	**(23,463)**	
Other income	29,810,000	(29,420,000)	**390,000**	660,994	**270,994**	
Interest received - investment	3,000,000	(2,000,000)	**1,000,000**	3,691,816	**2,691,816**	A3
Total revenue from exchange transactions	**34,885,000**	**(31,805,000)**	**3,080,000**	**7,306,614**	**4,226,614**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	11,700,000	(1,700,000)	**10,000,000**	8,754,396	**(1,245,604)**	A4
Transfer revenue						
Government grants & subsidies	137,688,404	76,000	**137,764,404**	179,759,810	**41,995,406**	A5
Fines, Penalties and Forfeits	150,000	850,000	**1,000,000**	355,650	**(644,350)**	A6
Total revenue from non-exchange transactions	**149,538,404**	**(774,000)**	**148,764,404**	**188,869,856**	**40,105,452**	
Total revenue	**184,423,404**	**(32,579,000)**	**151,844,404**	**196,176,470**	**44,332,066**	
Expenditure						
Employee related costs	(76,491,571)	928,732	**(75,562,839)**	(71,289,094)	**4,273,745**	
Remuneration of councillors	(15,413,662)	(232,000)	**(15,645,662)**	(14,266,170)	**1,379,492**	
Depreciation and amortisation	(39,380,000)	-	**(39,380,000)**	(31,301,660)	**8,078,340**	A7
Finance costs	(360,000)	-	**(360,000)**	(980,627)	**(620,627)**	
Lease rentals on operating lease	(78,000)	-	**(78,000)**	(76,108)	**1,892**	
Debt Impairment	(8,620,000)	-	**(8,620,000)**	(7,205,329)	**1,414,671**	A8
Repairs and maintenance	-	-	**-**	(3,808,322)	**(3,808,322)**	A9
Contracted Services	(13,200,000)	(3,870,000)	**(17,070,000)**	(5,548,483)	**11,521,517**	A10
Transfers and Subsidies	(8,050,000)	-	**(8,050,000)**	-	**8,050,000**	
General Expenses	(121,428,201)	10,734,459	**(110,693,742)**	(45,783,637)	**64,910,105**	A11
Total expenditure	**(283,021,434)**	**7,561,191**	**(275,460,243)**	**(180,259,430)**	**95,200,813**	
Operating surplus	**(98,598,030)**	**(25,017,809)**	**(123,615,839)**	**15,917,040**	**139,532,879**	
Gain on disposal of assets and liabilities	-	-	**-**	57,796	**57,796**	
Operating lease rental	-	-	**-**	(1,049,821)	**(1,049,821)**	
Fair value adjustments	-	-	**-**	105,886	**105,886**	
	-	**-**	**-**	**(886,139)**	**(886,139)**	
Surplus before taxation	**(98,598,030)**	**(25,017,809)**	**(123,615,839)**	**15,030,901**	**138,646,740**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(98,598,030)**	**(25,017,809)**	**(123,615,839)**	**15,030,901**	**138,646,740**	

Port St Johns Municipality

Consolidated Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	1,545,100	-	**1,545,100**	1,587,716	**42,616**	
Receivables from non-exchange transactions	14,264,541	-	**14,264,541**	6,281,010	**(7,983,531)**	B2
VAT receivable	-	-	**-**	4,264,590	**4,264,590**	B4
Other receivables	-	-	**-**	733,400	**733,400**	
Receivables from exchange transactions	-	-	**-**	819,721	**819,721**	B8
Call investment deposits	35,000,000	-	**35,000,000**	-	**(35,000,000)**	B3
Consumer deposits	1,253,904	-	**1,253,904**	-	**(1,253,904)**	
Cash and cash equivalents	81,059,968	-	**81,059,968**	57,908,801	**(23,151,167)**	B1
	133,123,513	**-**	**133,123,513**	**71,595,238**	**(61,528,275)**	
Non-Current Assets						
Investment property	12,148,663	-	**12,148,663**	11,461,003	**(687,660)**	
Property, plant and equipment	377,694,794	107,341	**377,802,135**	406,762,767	**28,960,632**	
	389,843,457	**107,341**	**389,950,798**	**418,223,770**	**28,272,972**	
Total Assets	**522,966,970**	**107,341**	**523,074,311**	**489,819,008**	**(33,255,303)**	
Liabilities						
Current Liabilities						
Provision	(4,500,000)	-	**(4,500,000)**	-	**4,500,000**	B12
Finance lease obligation	-	-	**-**	260,843	**260,843**	B9
Payables from exchange transactions	(25,000,000)	-	**(25,000,000)**	21,741,083	**3,258,917**	B5
VAT payable	-	-	**-**	4,673,978	**4,673,978**	
Consumer deposits	(150,000)	-	**(150,000)**	61,000	**89,000**	B11
Employee benefit obligation	-	-	**-**	244,793	**244,793**	B12
Unspent conditional grants and receipts	-	-	**-**	11,308,843	**11,308,843**	B6
Provisions	-	-	**-**	5,583,430	**5,583,430**	
Borrowings	(11,000,000)	-	**(11,000,000)**	-	**11,000,000**	B7
	(40,650,000)	**-**	**(40,650,000)**	**43,873,970**	**40,919,804**	
Non-Current Liabilities						
Borrowings	(2,000,000)	-	**(2,000,000)**	-	**2,000,000**	B7
Finance lease obligation	-	-	**-**	321,224	**321,224**	B9
Operating lease liability	-	-	**-**	1,917,574	**1,917,574**	
Employee benefit obligation	-	-	**-**	2,631,390	**2,631,390**	B12
Provisions	(7,000,000)	-	**(7,000,000)**	5,149,798	**6,485,202**	B10
	(9,000,000)	**-**	**(9,000,000)**	**10,019,986**	**13,355,390**	
Total Liabilities	**(49,650,000)**	**-**	**(49,650,000)**	**53,893,956**	**54,275,194**	
Net Assets	**572,616,970**	**107,341**	**572,724,311**	**435,925,052**	**(87,530,497)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	572,616,970	107,341	**572,724,311**	435,925,052	**(87,530,497)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Controlling entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	100,000	500,000	**600,000**	862,744	**262,744**	A1
Rental of facilities and equipment	125,000	(105,000)	**20,000**	20,821	**821**	
Interest received on outstanding debtors	1,700,000	(700,000)	**1,000,000**	2,023,702	**1,023,702**	A2
Licences and permits	150,000	(80,000)	**70,000**	46,537	**(23,463)**	A11
Other income	29,810,000	(29,420,000)	**390,000**	660,994	**270,994**	
Interest received - investment	3,000,000	(2,000,000)	**1,000,000**	3,691,816	**2,691,816**	A3
Total revenue from exchange transactions	**34,885,000**	**(31,805,000)**	**3,080,000**	**7,306,614**	**4,226,614**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	11,700,000	(1,700,000)	**10,000,000**	8,754,396	**(1,245,604)**	A4
Transfer revenue						
Government grants & subsidies	130,627,000	(454,000)	**130,173,000**	179,759,810	**49,586,810**	A5
Fines, Penalties and Forfeits	150,000	850,000	**1,000,000**	355,650	**(644,350)**	A6
Total revenue from non-exchange transactions	**142,477,000**	**(1,304,000)**	**141,173,000**	**188,869,856**	**47,696,856**	
Total revenue	**177,362,000**	**(33,109,000)**	**144,253,000**	**196,176,470**	**51,923,470**	
Expenditure						
Employee related costs	(71,409,000)	809,000	**(70,600,000)**	(66,478,372)	**4,121,628**	
Remuneration of councillors	(15,071,497)	(232,000)	**(15,303,497)**	(14,020,264)	**1,283,233**	
Depreciation and amortisation	(39,290,000)	-	**(39,290,000)**	(31,116,335)	**8,173,665**	A7
Finance costs	(350,000)	-	**(350,000)**	(449,545)	**(99,545)**	A12
Debt Impairment	(8,620,000)	-	**(8,620,000)**	(7,205,329)	**1,414,671**	A8
Repairs and maintenance	(5,821,000)	1,605,000	**(4,216,000)**	(3,791,255)	**424,745**	A9
Contracted Services	(13,200,000)	(3,870,000)	**(17,070,000)**	(5,548,483)	**11,521,517**	A10
Transfers and Subsidies	(8,050,000)	-	**(8,050,000)**	(7,322,273)	**727,727**	
General Expenses	(120,223,000)	11,582,000	**(108,641,000)**	(43,857,675)	**64,783,325**	A11
Total expenditure	**(282,034,497)**	**9,894,000**	**(272,140,497)**	**(179,789,531)**	**92,350,966**	
Operating surplus	**(104,672,497)**	**(23,215,000)**	**(127,887,497)**	**16,386,939**	**144,274,436**	
Gain on disposal of assets and liabilities	-	-	**-**	57,796	**57,796**	
Operating lease rentals	-	-	**-**	(1,049,821)	**(1,049,821)**	
	-	**-**	**-**	**(992,025)**	**(992,025)**	
Surplus before taxation	**(104,672,497)**	**(23,215,000)**	**(127,887,497)**	**15,394,914**	**143,282,411**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(104,672,497)**	**(23,215,000)**	**(127,887,497)**	**15,394,914**	**143,282,411**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

Accounting Policies

1. Presentation of Consolidated Financial Statements

The consolidated financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These consolidated financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these consolidated financial statements, are disclosed below.

1.1 Presentation currency

These consolidated financial statements are presented in South African Rand, which is the functional currency of the economic entity.

1.2 Going concern assumption

These consolidated financial statements have been prepared based on the expectation that the economic entity will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated financial statements. Significant judgements include:

Receivables

The economic entity assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The economic entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The economic entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the economic entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

Effective interest rate

The economic entity used the prime interest rate to discount future cash flows.

Allowance for impairment

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

1.4 Investment property (continued)

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the economic entity, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	**Useful life**
Property - land	indefinite
Property - buildings	20 - 30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The nature OR type of properties classified as held for strategic purposes are as follows:

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the economic entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Accounting Policies

1.5 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Non depreciable	Non depreciable
Buildings	Straight line	30 years
Plant and machinery	Straight line	2 - 15 years
Furniture and fixtures	Straight line	7 - 10 years
Motor vehicles	Straight line	5 - 10 years
Office equipment	Straight line	3 - 7 years
IT equipment	Straight line	3 years
Infrastructure	Straight line	15 - 30 years
Community	Straight line	30 years
Bins and containers	Straight line	5 years
Cellular equipment	Straight line	2 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

1.5 Property, plant and equipment (continued)

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the economic entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The economic entity assesses at each reporting date whether there is any indication that the economic entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the economic entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the economic entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The economic entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

The economic entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

Accounting Policies

1.6 Site restoration and dismantling cost (continued)

If the related asset is measured using the revaluation model:
(a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
- a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
- an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

(b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
(c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

1.8 Inventories (continued)

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the economic entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the economic entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the economic entity; or
- the number of production or similar units expected to be obtained from the asset by the economic entity.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

[Specify judgements made]

Accounting Policies

1.9 Impairment of cash-generating assets (continued)

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The economic entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the economic entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the economic entity also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the economic entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the economic entity applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.9 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the economic entity determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the economic entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.9 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The economic entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.10 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

1.10 Impairment of non-cash-generating assets (continued)

- the period of time over which an asset is expected to be used by the economic entity; or
- the number of production or similar units expected to be obtained from the asset by the economic entity.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

[Specify judgements made]

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The economic entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the economic entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset’s gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the economic entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.10 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The economic entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the economic entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.11 Statutory receivables

Goods or services received or acquired in a share-based payment transaction are recognised when the goods or as the services are received. A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share-based payment transaction or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.

1.12 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Accounting Policies

1.12 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

1.12 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Accounting Policies

1.12 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

1.12 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

1.12 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other long-term employee benefits

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.12 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.13 Provisions and contingencies

Provisions are recognised when:
- the economic entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the economic entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

1.13 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the economic entity

No obligation arises as a consequence of the sale or transfer of an operation until the economic entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The economic entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the economic entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the economic entity considers that an outflow of economic resources is probable, an economic entity recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.13 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.9 and 1.10.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.14 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Accounting Policies

1.15 Revenue from exchange transactions (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the economic entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the economic entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.16 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

1.16 Revenue from non-exchange transactions (continued)

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.16 Revenue from non-exchange transactions (continued)

Taxes (Property rates for municipalities)

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Collection charges and penalties

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.17 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.19 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes :

- overspending of the total amount appropriated in the municipalit's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget
- expenditure from a vote unrelated to the department or funcitional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragragh (b), (c) or (d) of the definition of "allocation otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the municipal Systems Act (Act No .32 of 2000), and the Public Office Bearers Act 9 (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.
All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and income expenidture, are debited/credited against accumulated surplus when retrospective adjusments are made.

1.23 Budget information

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2017/07/01 to 2018/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The consolidated financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.24 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the economic entity, including those charged with the governance of the economic entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the economic entity.

The economic entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the economic entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the economic entity is exempt from the disclosures in accordance with the above, the economic entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity’s financial statements to understand the effect of related party transactions on its consolidated financial statements.

1.25 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Accounting Policies

1.25 Events after reporting date (continued)

The economic entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The economic entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.26 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payments basis, in accordance with Section 15 (2) of the VAT Act (Act No. 89 of 1991)

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018 R	2017 R	2018 R	2017 R

2. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	2,004,029	5,361,427	1,900,029	4,672,766
Short-term deposits	55,904,772	44,240,865	55,904,772	44,240,865
	57,908,801	**49,602,292**	**57,804,801**	**48,913,631**

No item of cash and cash equivalents has been pledged as security.

The municipality had the following bank accounts

2. Cash and cash equivalents (continued)

Account number / description	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
Absa Bank - Current Account - Operational 9269	-	4,672,765	2,530,159	-	4,672,765	2,530,144
STD Bank - Current Account	1,900,029	-	-	1,900,029	-	-
Absa Bank - Salaries Call Account - 7272	-	24,566,543	5,117,015	-	24,566,543	5,117,015
STD Bank Salaries Call Account - 9569 -001	32,272,082	-	-	32,272,082	-	-
Absa Bank - MSP Fund Call Account - 9972	-	2,543	2,457	-	2,543	2,447
Absa Bank - Repairs Call Account - 1344	-	19,475,415	24,298,362	-	19,475,415	24,298,362
STD Bank - Repairs Call Account - 9569 -003	19,966,831	-	-	19,966,831	-	-
Absa Bank - FMG Call Account - 6056	-	1,000	3,245,348	-	1,000	3,245,357
STD Bank - FMG Call Account - 9569 -006	1,030,440	-	-	1,030,440	-	-
Absa Bank - MIG Call Account - 6187	-	1,000	8,745	-	1,000	8,745
STD Bank - MIG Call Account - 9569 -008	2,189,216	-	-	2,189,216	-	-
Absa Bank - LED Call Account - 7159	-	13,704	13,288	-	13,705	13,288
STD Bank - LED Call Account - 9569 -007	13,736	-	-	13,736	-	-
Absa Bank - Traffic Call Account - 3891	-	5,693	5,664	-	5,693	5,664
STD Bank - Traffic Call Account - 9569 -004	5,666	-	-	5,666	-	-
Absa Bank - Plant Call Account - 3922	-	27,136	1,645,027	-	27,136	1,645,027
STD Bank - Plant Call Account - 9569 - 002	28,256	-	-	28,256	-	-
Absa Bank - EPWP Call Account - 7506	-	1,339	1,002	-	1,339	1,002
STD Bank - EPWP Call Account - 9569 - 011	104,389	-	-	104,389	-	-
Absa Bank - LG SETA Call Account - 9964	-	6,353	1,002	-	6,353	1,002
Absa Bank - INEP Call Account - 6122	-	1,000	1,002	-	1,000	1,002
STD Bank - INEP Call Account - 9569 -010	148,811	-	-	148,811	-	-
Absa Bank - DSRAC Call Account - 7695	-	139,139	1,002	-	139,139	1,002
STD Bank - DSRAC Call Account - 9569 - 009	145,346	-	-	145,346	-	-
Absa Bank - Primary Account - 6064-2488	68,695	340,450	40,990	68,695	-	-
Absa Bank - Salaries Account - 6320 - 8356	35,479	346,602	380,035	35,479	-	-
Absa Bank - Small Scale Fish - 6347-9179	-	1,950	-	-	-	-
Absa Bank - Mngazi to Manteku - 7165 - 4521	(174)	(341)	862	(174)	-	-
Subtotal	57,908,802	49,602,291	37,291,960	57,908,802	48,913,631	36,870,057

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

2. Cash and cash equivalents (continued)

57,908,802 49,602,291 37,291,960 57,908,802 48,913,631 36,870,057

The municipality had the following bank accounts

3. Receivables from exchange transactions

Gross balances				
Refuse	6,710,236	6,069,166	6,710,236	6,069,166
Property lease rental	161,616	161,616	161,616	161,616
	6,871,852	**6,230,782**	**6,871,852**	**6,230,782**
Less: Allowance for impairment				
Refuse	(5,906,677)	(5,024,000)	(5,906,677)	(5,024,000)
Property lease rental	(145,454)	(145,454)	(145,454)	(145,454)
	(6,052,131)	**(5,169,454)**	**(6,052,131)**	**(5,169,454)**
Net balance				
Refuse	803,559	1,045,166	803,559	1,045,166
Property lease rental	16,162	16,162	16,162	16,162
	819,721	**1,061,328**	**819,721**	**1,061,328**
Refuse				
Current (0 -30 days)	111,637	114,383	111,637	114,383
31 - 60 days	76,680	113,069	76,680	113,069
61 - 90 days	75,040	112,317	75,040	112,317
91 - 120 days	6,446,879	5,729,397	6,446,879	5,729,397
Less: Allowance for impairment	(5,906,677)	(5,024,000)	(5,906,677)	(5,024,000)
	803,559	**1,045,166**	**803,559**	**1,045,166**
Housing rental				
> 365 days	161,616	161,616	161,616	161,616
Less: Allowance for impairment	(145,454)	(145,454)	(145,454)	(145,454)
	16,162	**16,162**	**16,162**	**16,162**
Reconciliation of allowance for impairment				
Balance at beginning of the year	(5,169,454)	(4,541,605)	(5,169,454)	(4,541,605)
Contributions to allowance	(882,677)	(627,849)	(882,677)	(627,849)
Closing balance	**(6,052,131)**	**(5,169,454)**	**(6,052,131)**	**(5,169,454)**

Receivables from exchange transactions pledged as security

No receivables from exchange transactions were pledged as security.

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

3. Receivables from exchange transactions (continued)

Credit quality of receivables from exchange transactions

The credit quality of receivables fron exchange transactions that are neither past nor due nor impaired can be assessed for indicators of impairment. The municipality considers that the above financial assets that are not impaired at each of the reporting dates under review are of good credit quality. The municipality continously monitors consumers and identified groups by reference to annual payment rates and incorporates this information into its credit risk credit control. No external credit rating is performed.

Consumer receivables from rates are billed monthly. Interest is charged on overdue receivables from exchange transactions at a rate of 15% per annum.

The municipality enforces its approved credit control policy to ensure the recovery of receivables.
None of the financial assets that are fully performing have been renegotiated in the last year.

4. Receivables from non-exchange transactions

Consumer debtors - Rates	5,994,345	4,271,264	5,994,345	4,271,264
Consumer debtors - Other (Specified)	286,665	219,272	286,665	219,272
	6,281,010	**4,490,536**	**6,281,010**	**4,490,536**

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange detailed balance disclosure has been done under note 6.

5. Receivables from non exchange transactions

Gross balances				
Rates	31,541,412	23,706,735	31,541,412	23,706,735
Traffic fines	1,319,183	1,040,733	1,319,183	1,040,733
	32,860,595	**24,747,468**	**32,860,595**	**24,747,468**
Less: Allowance for impairment				
Rates	(25,547,067)	(19,435,471)	(25,547,067)	(19,435,471)
Traffic fines	(1,032,518)	(821,461)	(1,032,518)	(821,461)
	(26,579,585)	**(20,256,932)**	**(26,579,585)**	**(20,256,932)**
Net balance				
Rates	5,994,345	4,271,264	5,994,345	4,271,264
Traffic fines	286,665	219,272	286,665	219,272
	6,281,010	**4,490,536**	**6,281,010**	**4,490,536**
Rates				
Current (0 -30 days)	552,168	464,234	552,168	464,234
31 - 60 days	225,314	233,379	225,314	233,379
61 - 90 days	30,763,930	23,009,122	30,763,930	23,009,122
Less: Allowance for impairment	(25,547,067)	(19,435,471)	(25,547,067)	(19,435,471)
	5,994,345	**4,271,264**	**5,994,345**	**4,271,264**

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

5. Receivables from non exchange transactions (continued)

Traffic fines				
Current (0 -30 days)	17,500	52,350	17,500	52,350
31 - 60 days	25,400	53,800	25,400	53,800
61 - 90 days	4,200	16,500	4,200	16,500
91 - 120 days	1,272,083	918,083	1,272,083	918,083
Less: Allowance for impairment	(1,032,518)	(821,461)	(1,032,518)	(821,461)
	286,665	**219,272**	**286,665**	**219,272**

Reconciliation of allowance for impairment				
Balance at beginning of the year	20,256,932	17,817,654	20,256,932	17,817,654
Contributions to allowance	6,322,653	2,439,278	6,322,653	2,439,278
	26,579,585	**20,256,932**	**26,579,585**	**20,256,932**

Consumer receivables pledged as security

No receivables from non-exchange have been pledged as security for any liabilities of the municipality.
Credit quality of receivables from non exchange transactions

The credit quality of receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed for indicators of impairment. The municipality considers that the above financial assets that are not impaired at each of the reporting dates under review are of good credit quality. The municipality continuously monitors consumers and identified groups by referance to annual payment rates and incorporates this information in to its credit risk control. No external credit rating is performed.
Consumer receivables from rates are billed monthly. Interest is charged on overdue consumer receivables at a rate of 15% per annum.
No interest is charges on overdue traffic fines debtors.
The municipality enforces its approved credit control policy to ensure the recovery of receivables.
None of the financial assets that are fully performing have been renegotiated in the last year.Additional text

6. VAT receivable

VAT	4,264,590	3,560,129	4,264,590	3,560,129

VAT receivable amount is made up of two basis as follows:

Cash Basis (SARS statement of account)				
VAT Input	22,844,539	11,421,092	22,844,539	11,421,092
VAT Output	(525,589)	(149,521)	(525,589)	(149,521)
VAT Control	(19,362,682)	(8,992,005)	(19,362,682)	(8,992,005)
	2,956,268	2,279,566	2,956,268	2,279,566
	2,956,268	**2,279,566**	**2,956,268**	**2,279,566**

Accrual basis				
Creditors VAT Provisional	1,958,137	1,834,745	1,958,137	1,834,745
Debtors VAT - Provisional	(649,819)	(554,182)	(649,819)	(554,182)
Cash basis balance	2,956,272	2,279,566	2,956,272	2,279,566
	4,264,590	**3,560,129**	**4,264,590**	**3,560,129**

Other write-offs already taken to account on the VAT control				
SARS Assessment during the year not recovered	-	28,861	-	28,861

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

7. Other receivables

SALGA	-	820,711	-	820,711
Sundry debtors (Overpayment of Councillors)	32,319	32,319	32,319	32,319
Suspense account (ABSA)	33,801	33,801	33,801	33,801
Debtors for asset sale	667,280	-	667,280	-
Creditors overpaid	-	192,740	-	192,740
	733,400	**1,079,571**	**733,400**	**1,079,571**

SALGA relates to membership paid in full in the 2016/17 financial year relating to the 2017/18 financial year.

ABSA relates to the amounts fraudulently deducted from the municipal bank account.

8. Inventories

Stores	1,587,716	1,149,462	1,587,716	1,149,462

8.1 Inventory is categorised as follows;

Construction Material	742,514	645,733	742,514	645,733
Protective and Cleaning Material	57,560	31,724	57,560	31,724
Gardening	48,015	25,354	48,015	25,354
Mechanical Tools	143,593	31,603	143,593	31,603
Spare Parts	436,375	197,690	436,375	197,690
Fuel and oil	159,659	217,358	159,659	217,358
	1,587,716	**1,149,462**	**1,587,716**	**1,149,462**

Inventories recognised as an expense during the year	475,927	580,368	475,927	580,368

Inventory pledged as security

No inventory was pledged as security in the financial year under review.

9. Investment property

Economic entity	2018			2017		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	11,461,003	-	11,461,003	11,461,003	-	11,461,003

Controlling entity	2018			2017		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	11,461,003	-	11,461,003	11,461,003	-	11,461,003

Reconciliation of investment property - Economic entity - 2018

9. Investment property (continued)

	Opening balance	Total
Investment property	11,461,003	11,461,003

Reconciliation of investment property - Economic entity - 2017

	Opening balance	Total
Investment property	11,461,003	11,461,003

Reconciliation of investment property - Controlling entity - 2018

	Opening balance	Total
Investment property	11,461,003	11,461,003

Reconciliation of investment property - Controlling entity - 2017

	Opening balance	Total
Investment property	11,461,003	11,461,003

Pledged as security

None of the above investment property has been pledged as security:

Property to the value of R8 741 167 is held pending finalisation of sale to the O R Tambo District Municipality.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Notes to the Consolidated Financial Statements

Figures in Rand

10. Property, plant and equipment

Economic entity	2018			2017		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	55,118,000	-	55,118,000	-	-	-
Buildings	13,301,182	(2,958,935)	10,342,247	68,381,382	(2,471,126)	65,910,256
Plant and machinery	37,019,353	(11,197,760)	25,821,593	38,616,812	(10,522,743)	28,094,069
Furniture and fixtures	2,648,314	(1,416,679)	1,231,635	1,359,638	(781,352)	578,286
Transport assets	8,222,648	(2,838,894)	5,383,754	4,823,011	(2,227,893)	2,595,118
Office equipment	2,017	(2,016)	1	838,657	(335,202)	503,455
IT equipment	2,684,765	(1,388,107)	1,296,658	2,364,407	(1,076,959)	1,287,448
Infrastructure	460,328,940	(220,767,956)	239,560,984	367,031,157	(194,298,724)	172,732,433
Community	13,274,008	(4,333,046)	8,940,962	13,274,008	(3,825,087)	9,448,921
Other property, plant and equipment	14,300	(14,299)	1	14,300	(14,299)	1
Infrastructure WIP	58,599,697	-	58,599,697	114,119,897	-	114,119,897
Other leased Assets # 1	850,551	(385,003)	465,548	378,603	(357,769)	20,834
Signage	24,436	(22,749)	1,687	24,436	(21,062)	3,374
Total	**652,088,211**	**(245,325,444)**	**406,762,767**	**611,226,308**	**(215,932,216)**	**395,294,092**

Notes to the Consolidated Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Controlling entity	2018			2017		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	55,118,000	-	55,118,000	-	-	-
Buildings	13,301,182	(2,958,935)	10,342,247	68,381,382	(2,471,126)	65,910,256
Plant and machinery	37,001,534	(11,184,195)	25,817,339	38,603,493	(10,509,425)	28,094,068
Furniture and fixtures	2,467,132	(1,248,954)	1,218,178	1,185,596	(618,096)	567,500
Transport assets	7,525,334	(2,483,380)	5,041,954	4,231,583	(1,990,665)	2,240,918
Office equipment	-	-	-	836,640	(333,299)	503,341
IT equipment	2,370,965	(1,184,578)	1,186,387	2,180,572	(933,954)	1,246,618
Infrastructure	460,328,940	(220,767,956)	239,560,984	367,031,157	(194,298,724)	172,732,433
Community Assets	13,274,008	(4,333,046)	8,940,962	13,274,008	(3,825,087)	9,448,921
Infrastructure - WIP	58,599,697	-	58,599,697	114,119,897	-	114,119,897
Cellular equipment	850,551	(385,003)	465,548	378,603	(357,769)	20,834
Total	**650,837,343**	**(244,546,047)**	**406,291,296**	**610,222,931**	**(215,338,145)**	**394,884,786**

Reconciliation of property, plant and equipment - Economic entity - 2018

Notes to the Consolidated Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

	Opening balance	Additions	Disposals	Transfers received	Transfer out	Depreciation	Fair value adjustment	Total
Land	-	-	-	-	55,118,000	-	-	55,118,000
Buildings	65,910,256	37,800	-	-	(55,118,000)	(487,809)	-	10,342,247
Plant and machinery	28,094,069	396,641	(507,230)	-	-	(2,161,887)	-	25,821,593
Furniture and fixtures	578,286	477,751	(6,404)	-	503,341	(321,339)	-	1,231,635
Transport assets	2,595,118	3,716,412	(84,527)	-	-	(949,135)	105,886	5,383,754
Office equipment	503,455	-	-	-	(503,341)	(113)	-	1
IT equipment	1,287,448	395,826	(11,323)	-	-	(375,293)	-	1,296,658
Infrastructure	172,732,433	-	-	93,297,783	-	(26,469,232)	-	239,560,984
Community	9,448,921	-	-	-	-	(507,959)	-	8,940,962
Security measures	1	-	-	-	-	-	-	1
Infrastructure- WIP	114,119,897	37,777,583	-	-	(93,297,783)	-	-	58,599,697
Cellular Equipment	20,834	471,948	-	-	-	(27,234)	-	465,548
Signage	3,374	-	-	-	-	(1,687)	-	1,687
	395,294,092	**43,273,961**	**(609,484)**	**93,297,783**	**(93,297,783)**	**(31,301,688)**	**105,886**	**406,762,767**

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2017

	Opening balance	Additions	Disposals	Transfers received	Other changes, movements	Depreciation	Total
Buildings	66,396,879	-	-	-	-	(486,623)	65,910,256
Plant and machinery	26,300,075	5,111,414	(1,094,189)	-	-	(2,223,231)	28,094,069
Furniture and fixtures	628,542	95,194	-	-	-	(145,450)	578,286
Transport assets	2,209,148	596,087	-	-	-	(210,117)	2,595,118
Office equipment	385,860	221,235	(3,737)	-	-	(99,903)	503,455
IT equipment	931,677	673,655	(30,517)	-	-	(287,367)	1,287,448
Infrastructure	179,565,471	-	-	15,594,663	-	(22,427,701)	172,732,433
Community	9,803,399	132,750	-	-	-	(487,228)	9,448,921
Security measures	1	-	-	-	-	-	1
Infrastructure WIP	84,633,864	45,080,696	-	-	(15,594,663)	-	114,119,897
Cellular Equipment	12,894	19,556	-	-	-	(11,616)	20,834
Signage	7,461	-	-	-	-	(4,087)	3,374
	370,875,271	**51,930,587**	**(1,128,443)**	**15,594,663**	**(15,594,663)**	**(26,383,323)**	**395,294,092**

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2018

	Opening balance	Additions	Disposals	Transfers received	Transfers out	Depreciation	Total
Land	-	-	-	-	55,118,000	-	55,118,000
Buildings	65,910,256	37,800	-	-	(55,118,000)	(487,809)	10,342,247
Plant and machinery	28,094,068	392,141	(507,230)	-	-	(2,161,640)	25,817,339
Furniture and fixtures	567,500	470,611	(6,404)	-	503,341	(316,870)	1,218,178
Transport assets	2,240,918	3,716,412	(84,527)	-	-	(830,849)	5,041,954
Office equipment	503,341	-	-	-	(503,341)	-	-
IT equipment	1,246,618	265,861	(11,323)	-	-	(314,769)	1,186,387
Infrastructure	172,732,433	-	-	93,297,783	-	(26,469,232)	239,560,984
Community Assets	9,448,921	-	-	-	-	(507,959)	8,940,962
Infrastructure - WIP	114,119,897	37,777,583	-	-	(93,297,783)	-	58,599,697
Cellular equipment	20,834	444,714	-	-	-	-	465,548
	394,884,786	**43,105,122**	**(609,484)**	**93,297,783**	**(93,297,783)**	**(31,089,128)**	**406,291,296**

Reconciliation of property, plant and equipment - Controlling entity - 2017

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Total
Buildings	66,396,879	-	-	-	-	(486,623)	65,910,256
Plant and machinery	26,300,074	5,111,414	(1,094,189)	-	-	(2,223,231)	28,094,068
Furniture and fixtures	617,019	92,249	-	-	-	(141,768)	567,500
Transport assets	1,928,787	596,087	-	-	-	(283,956)	2,240,918
Office equipment and traffic equipment	385,075	221,235	(3,071)	-	-	(99,898)	503,341
IT equipment	907,304	637,155	(30,517)	-	-	(267,324)	1,246,618
Infrastructure	179,565,471	-	-	15,594,663	-	(22,427,701)	172,732,433
Community Assets	9,803,399	132,750	-	-	-	(487,228)	9,448,921
Infrastructure - WIP	84,633,864	45,080,696	-	-	(15,594,663)	-	114,119,897
Celullar Equipment	12,894	19,556	-	-	-	(11,616)	20,834
	370,550,766	**51,891,142**	**(1,127,777)**	**15,594,663**	**(15,594,663)**	**(26,429,345)**	**394,884,786**

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

10. Property, plant and equipment (continued)

Pledged as security

There were no assets held as security for loan.

Reconciliation of Work-in-Progress Economic entity - 2018

	Access Roads	Bridges	Electrification Structures	Total
Opening balance	97,171,134	5,545,253	11,403,508	114,119,895
Additions/capital expenditure	19,886,979	2,137,549	15,753,054	37,777,582
Transferred to completed items	(85,614,980)	(7,682,802)	-	(93,297,782)
	31,443,133	**-**	**27,156,562**	**58,599,695**

Reconciliation of Work-in-Progress Economic entity - 2017

	Access Roads	Bridges	Electrification Structures	Total
Opening balance	80,366,899	4,266,964	-	84,633,863
Additions/capital expenditure	32,398,899	1,278,289	11,403,509	45,080,697
Transferred to completed items	(15,594,663)	-	-	(15,594,663)
	97,171,135	**5,545,253**	**11,403,509**	**114,119,897**

Reconciliation of Work-in-Progress Controlling entity - 2018

	Access Roads	Bridges	Electrification Structures	Total
Opening balance	97,171,134	5,545,253	11,403,508	114,119,895
Additions/capital expenditure	19,886,979	2,137,549	15,753,054	37,777,582
Transferred to completed items	(85,614,980)	(7,682,802)	-	(93,297,782)
	31,443,133	**-**	**27,156,562**	**58,599,695**

Reconciliation of Work-in-Progress Controlling entity - 2017

	Acess Roads	Bridges	Electrification Structures	Total
Opening balance	80,366,899	4,266,964	-	84,633,863
Additions/capital expenditure	32,398,899	1,278,289	11,403,509	45,080,697
Transferred to completed items	(15,594,663)	-	-	(15,594,663)
	97,171,135	**5,545,253**	**11,403,509**	**114,119,897**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

11. VAT payable

VAT payables	4,673,978	4,898,067	-	-

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

12. Payables from exchange transactions

Trade payables	3,382,363	4,384,900	1,863,052	2,880,587
Payments received in advance	1,195,642	1,247,153	1,195,642	1,247,153
Bonus Provision	1,394,734	1,234,305	1,393,568	1,234,290
Accruals	810,108	1,327,215	809,885	1,326,992
Unallocated deposits	612,169	174,287	435,066	17,250
Payroll accruals	184,881	1,592,531	184,881	1,592,531
Retentions	3,676,506	4,251,009	3,676,506	4,251,009
Leave pay provision	4,346,100	3,799,982	4,346,100	3,799,982
OR Tambo advance	6,132,284	6,132,284	6,132,284	6,132,284
SARS - PAYE, UIF & SDL	6,297	216,651	-	-
	21,741,084	**24,360,317**	**20,036,984**	**22,482,078**

13. Finance lease obligation

Minimum lease payments due				
- within one year	363,223	117,069	261,336	13,888
- in second to fifth year inclusive	273,449	137,512	239,558	-
	636,672	254,581	500,894	13,888
less: future finance charges	(54,605)	(30,873)	(46,791)	(2,142)
Present value of minimum lease payments	**582,067**	**223,708**	**454,103**	**11,746**
Present value of minimum lease payments due				
- within one year	319,326	94,680	226,103	11,746
- in second to fifth year inclusive	262,741	129,028	228,000	-
	582,067	**223,708**	**454,103**	**11,746**
Non-current liabilities	321,224	127,571	228,001	-
Current liabilities	260,843	96,137	226,102	11,746
	582,067	**223,708**	**454,103**	**11,746**

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts				
Municipal Infrastructure Grant	7,150,940	-	7,150,940	-
Unspent grants 5	448,817	-	448,817	-
Mngazi to Manteku project	20,095	20,095	-	-
Small Scale Fish factory	1,011,550	1,011,550	-	-
Cutweni	1,219,989	1,219,989	-	-
Local Government Sector Education and Training Authority	26,189	26,189	26,189	26,189
Expanded Public Works Programme	207,513	(1)	207,513	(1)
Finance Management Grant	938,212	-	938,212	-
Department of Sports, Recreation, Arts and Culture	285,538	90,935	285,538	90,935
	11,308,843	**2,368,757**	**9,057,209**	**117,123**

See note 25 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017
15. Operating lease liability				
Non-current liabilities	1,917,574	1,822,535	1,917,574	1,822,535
	1,917,574	**1,822,535**	**1,917,574**	**1,822,535**
Non-current liabilities	(1,917,574)	(1,822,535)	(1,917,574)	(1,822,535)
Minimun lease payments				
Within 1 year	176,354	161,793	176,354	161,793
In the second to 5th year	879,074	806,490	879,074	806,490
After 5 years	5,099,870	5,348,808	5,099,870	5,348,808
	6,155,298	**6,317,091**	**6,155,298**	**6,317,091**

Port St Johns Municipality leases land from Transnet for a period of 29 years, effective from 1 January 2006. The lease payment is R5 000 per month with annual escalation of 9%. No contingent rent is payable. The lease is not renewable at the end of the lease term.

16. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value				
Present value of the defined benefit obligation-wholly unfunded	(2,876,183)	(2,455,626)	(2,876,183)	(2,455,626)
Non-current liabilities	(2,631,390)	(2,053,009)	(2,631,390)	(2,053,009)
Current liabilities	(244,793)	(402,617)	(244,793)	(402,617)
	(2,876,183)	**(2,455,626)**	**(2,876,183)**	**(2,455,626)**

Net expense of the long service awards obligation recognised in the statement of financial performance

Expected return	350,262	336,359	350,262	336,359
Assets distributed on settlements	402,617	230,325	402,617	230,325
Contributions by employer	186,807	171,906	186,807	171,906
Contributions by plan participants	(116,512)	(180,995)	(116,512)	(180,995)
	823,174	**557,595**	**823,174**	**557,595**

17. Provisions

Reconciliation of provisions - Economic entity - 2018

	Opening Balance	Additions	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	5,354,567	204,251	(409,020)	5,149,798
VAT Provision	5,259,688	323,742	-	5,583,430
	10,614,255	**527,993**	**(409,020)**	**10,733,228**

Reconciliation of provisions - Economic entity - 2017

	Opening Balance	Additions	Total
Environmental rehabilitation	5,094,735	259,832	5,354,567
VAT Provision	4,420,747	838,941	5,259,688
	9,515,482	**1,098,773**	**10,614,255**

Reconciliation of provisions - Controlling entity - 2018

	Opening Balance	Additions	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation - landfill sites	5,354,567	204,251	(409,020)	5,149,798

Reconciliation of provisions - Controlling entity - 2017

	Opening Balance	Additions	Total
Environmental rehabilitation - landfill sites	5,094,735	259,832	5,354,567

Non-current liabilities	5,149,798	5,354,567	5,149,798	5,354,567
Current liabilities	5,583,430	5,259,688	-	-
	10,733,228	**10,614,255**	**5,149,798**	**5,354,567**

The landfill site provision relates to the costs of rehabilitating the landfill site when it reaches the end of its useful life in 2027 and has been discounted to reflect its present value.

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

18. Revenue

Service charges	862,744	804,339	862,744	804,339
Property rates	8,754,396	7,986,122	8,754,396	7,986,122
Government grants and subsidies	179,759,810	181,411,806	179,759,810	173,761,289
Interest received on outstanding debtors	2,023,702	2,736,829	2,023,702	2,736,829
Interest received - investment	3,691,816	3,154,272	3,691,816	3,153,437
Rental income	20,821	55,643	20,821	55,643
Licences and permits	46,537	60,435	46,537	60,435
Gain on disposal of assets	57,796	-	57,796	-
Fair value adjustments	105,886	160,104	-	-
Other income	660,994	1,731,568	660,994	1,646,068
Other income on finance lease liability write off	-	4,063,947	-	4,063,947
Fines, penalties and forfeits	355,650	371,400	355,650	371,400
	196,340,152	**202,536,465**	**196,234,266**	**194,639,509**

The amount included in revenue arising from exchanges of goods or services are as follows:				
Service charges	862,744	804,339	862,744	804,339
Rental of facilities and equipment	20,821	55,643	20,821	55,643
Interest received (trading)	2,023,702	2,736,829	2,023,702	2,736,829
Licences and permits	46,537	60,435	46,537	60,435
Gain on disposal of assets	57,796	-	-	-
Fair value adjustment	105,886	-	-	-
Other income	660,994	1,731,568	660,994	1,646,068
Interest received - investment	3,691,816	3,154,272	3,691,816	3,153,437
	7,470,296	**8,543,086**	**7,306,614**	**8,456,751**

The amount included in revenue arising from non-exchange transactions is as follows:				
Taxation revenue				
Property rates	8,754,396	7,986,122	8,754,396	7,986,122
Other revenue	-	4,063,947	-	4,063,947
Transfer revenue				
Government grants and subsidies	179,759,810	181,411,806	179,759,810	173,761,289
Fines, penalties and forfeits	355,650	371,400	355,650	371,400
	188,869,856	**193,833,275**	**188,869,856**	**186,182,758**

19. Interest received - Investment

Interest revenue				
Interest from the bank accounts	3,691,816	3,154,272	3,691,816	3,153,437

20. Service charges

Refuse removal	862,744	804,339	862,744	804,339

21. Rental income

Premises				
Halls and Bill boards	20,821	55,643	20,821	55,643

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

22. Other income

Insurance claims received	(176,672)	1,428,686	(176,672)	1,428,686
Plan and tender documents fees	306,651	114,297	306,651	114,297
Sundry Income	327,553	34,925	327,553	34,925
Grave sites	152,235	23,544	152,235	23,544
Commission received	51,227	44,616	51,227	44,616
Other income	-	85,500	-	-
	660,994	**1,731,568**	**660,994**	**1,646,068**

23. Property rates

Rates received

Income forgone/Rebate	-	(2,858,208)	-	(2,858,208)
Rates	8,754,396	10,844,330	8,754,396	10,844,330
	8,754,396	**7,986,122**	**8,754,396**	**7,986,122**

Income foregone relates to discounts granted to ratepayers as per the approved municipal tariff schedule and policies

Valuations

Residential	128,897,359	128,897,359	128,897,359	128,897,359
Commercial	125,832,640	125,832,640	125,832,640	125,832,640
State	163,330,500	163,330,500	163,330,500	163,330,500
Small holdings and farms	23,167,750	23,167,750	23,167,750	23,167,750
Vacant plots	43,351,669	43,351,669	43,351,669	43,351,669
	484,579,918	**484,579,918**	**484,579,918**	**484,579,918**

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

No interim valuation was done in the 2017-2018 financial year since the contract of the person who do the valuations was terminated.

24. Other Income

	-	4,063,947	-	4,063,947

25. Government grants and subsidies

Figures in Rand	Economic entity 2018	Economic entity 2017	Controlling entity 2018	Controlling entity 2017
Operating grants				
Equitable Share	125,772,000	117,661,872	125,772,000	117,661,872
Expanded Public Works Programme	1,293,487	1,000,000	1,293,487	1,000,000
Municipal Systems Improvement Grant	-	126,752	-	126,752
Finance Management Grant	961,788	1,825,000	961,788	1,825,000
Local Government Sector Education Training Authority	-	147,200	-	147,200
Other grants	-	7,650,517	-	-
Department of Sports, Recreation, Arts and Culture	105,397	209,065	105,397	209,065
O.R Tambo Intervention	700,000	2,000,000	700,000	2,000,000
Grant Local Government	-	1,010,400	-	1,010,400
	128,832,672	131,630,806	128,832,672	123,980,289
Capital grants				
Integrated National Electrification Programme	18,000,000	13,000,000	18,000,000	13,000,000
Municipal Infrastructure Grant	27,746,060	36,781,000	27,746,060	36,781,000
Government grant (capital) 3	5,181,078	-	5,181,078	-
	50,927,138	49,781,000	50,927,138	49,781,000
	179,759,810	**181,411,806**	**179,759,810**	**173,761,289**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of 50 KWH which is funded from the equitable share grant. Refuse removal services for a tariff of R102.47 are offered for free to the indigent communities of Port St Johns.

Grants

Balance unspent at beginning of year	2,798,262	2,798,262	117,128	546,628
Current-year receipts	62,227,895	54,089,789	62,227,895	54,089,789
Conditions met - transferred to revenue	(53,287,809)	(54,099,417)	(53,287,809)	(54,099,417)
Other	-	(419,872)	-	(419,872)
	11,738,348	**2,798,262**	**9,057,214**	**117,128**

Conditions still to be met - remain liabilities (see note 14).

Municipal Systems Improvement Grant

Balance unspent at beginning of year	-	126,752	-	126,752
Conditions met - transferred to revenue	-	(126,752)	-	(126,752)
	-	**-**	**-**	**-**

To assist municipalities to perform their functions and stabilise instititional and governance systems as required in the Municipal Systems Act.

Finance Management Grant

Balance unspent at beginning of year	-	419,872	-	419,872
Current-year receipts	1,900,000	1,825,000	1,900,000	1,825,000
Conditions met - transferred to revenue	(961,788)	(1,825,000)	(961,788)	(1,825,000)
Other	-	(419,872)	-	(419,872)
	938,212	**-**	**938,212**	**-**

Conditions still to be met - remain liabilities (see note 14).

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

25. Government grants and subsidies (continued)

To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act..

Expanded Public Works Programme

Current-year receipts	1,501,000	1,000,000	1,501,000	1,000,000
Conditions met - transferred to revenue	(1,293,487)	(1,000,000)	(1,293,487)	(1,000,000)
	207,513	**-**	**207,513**	**-**

To incentivise municipality to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas.

Department of Sports, Recreation, Arts and Culture

Balance unspent at beginning of year	90,935	-	90,935	-
Current-year receipts	300,000	300,000	300,000	300,000
Conditions met - transferred to revenue	(105,397)	(209,065)	(105,397)	(209,065)
	285,538	**90,935**	**285,538**	**90,935**

Conditions still to be met - remain liabilities (see note 14).

The purpose of the grant is to maintain existing library facilities , assist in supervising and adminstaration of staff in public libraries, establish library structures , support libray awareness programmes and collect revenue from public libraries and deposit into municipal bank accountst

Mangazi to Manteku project

Balance unspent at beginning of year	20,095	20,095	-	-

Conditions still to be met - remain liabilities (see note 14).

Small scale Fish Factory

Balance unspent at beginning of year	1,011,550	1,011,550	-	-

Conditions still to be met - remain liabilities (see note 14).

Cutweni

Balance unspent at beginning of year	1,219,989	1,219,989	-	-

Conditions still to be met - remain liabilities (see note 14).

Local Economic Development

Beautify open spaces, enhance and uplift the PSJ town. Provision of waste management infrastructure. Provision of road traffic signage and signage targeting beach front. Strengthening of shift work cleaning programme and targeted cleaning in hot areas.

Integrated National Electrification Program (INEP)

Current-year receipts	18,000,000	13,000,000	18,000,000	13,000,000
Conditions met - transferred to revenue	(18,000,000)	(13,000,000)	(18,000,000)	(13,000,000)
	-	-	-	-

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

25. Government grants and subsidies (continued)

The primary objective of the INEP grant is to provide grid electricity to 5222 house holds distributed within the Port St Johns local municipality and the necessary bulk infrastructure in a form of link lines in compliance with National Standards, while creating temporal employment to local labour, as well as developing and improving practical and management experience of emerging contractors by implementation of labour intensive construction methods (LIC) wherever practical. .

Local Government

Current-year receipts	-	1,010,400	-	1,010,400
Conditions met - transferred to revenue	-	(1,010,400)	-	(1,010,400)
	-	**-**	**-**	**-**

The purpose of the grant is to assist the municipality to improve its audit outcomes and address issues raised by the Auditor General in the 15/16 financial year such as maintenance of GRAP asset register and development of revenue enhancement strategy.

26. Employee related costs

Basic salaries and allowances	55,755,630	46,080,257	50,944,908	41,497,685
Bonus	159,278	231,068	159,278	231,068
Medical aid - company contributions	4,890,828	4,255,495	4,890,828	4,255,495
UIF	758,123	530,939	758,123	530,939
Leave pay provision charge	546,119	982,338	546,119	982,338
Defined contribution plans	8,945,366	6,972,088	8,945,366	6,972,088
Long-service awards	350,262	336,359	350,262	336,359
Acturial gains	(116,512)	(180,995)	(116,512)	(180,995)
	71,289,094	**59,207,549**	**66,478,372**	**54,624,977**

Remuneration of Municipal Manager Mr Ngamela Pakade (Appointed 1 April 2016- Left March 2018)

Annual Remuneration	610,536	840,126	610,536	840,126
Car Allowance	152,807	216,076	152,807	216,075
Performance Bonuses	1,190	1,785	1,190	1,785
Contributions to UIF, Medical and Pension Funds	234,541	333,210	234,541	333,210
Leave paid	184,133	-	184,133	-
	1,183,207	**1,391,197**	**1,183,207**	**1,391,196**

Remuneration of previous Municipal Manager - Mr Ncedile Jakuja (left 28 February 2015				
Annual Remuneration	-	2,265,998	-	2,265,998
Contributions to UIF	-	297	-	297
	-	**2,266,295**	**-**	**2,266,295**

Remuneration of the Chief Financial Officer - Mrs Puleng Gwana (Appointed 1 July 2015)

Annual Remuneration	968,167	896,194	968,167	896,194
Car Allowance	221,706	206,249	221,706	206,249
Contributions to UIF, KGA life and SALGBC	2,222	2,214	2,222	2,214
Other Allowances (house allowance, subsistance and Public Office)	78,836	73,340	78,836	73,340
	1,270,931	**1,177,997**	**1,270,931**	**1,177,997**

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

26. Employee related costs (continued)

Remuneration of Corporate Services Manager - Mr Fundisile Guleni (Appointed 1 September 2012-Left March 2018)

Annual Remuneration	545,916	751,728	545,916	751,728
Car Allowance	152,486	215,621	152,486	215,621
Contributions to UIF, Medical and Pension Funds	1,518	2,214	1,518	2,214
Other Allowances (Public office, subsistance)	147,403	208,954	147,403	208,954
Acting Allowance	8,654	-	8,654	-
Leave paid	241,658	-	241,658	-
	1,097,635	**1,178,517**	**1,097,635**	**1,178,517**

Remuneration of Community Services Manager - Mr Thandikhaya Mvukuzo (Appointed 1 September 2012-Left March 2018)

Annual Remuneration	648,082	896,194	648,082	896,194
Car Allowance	145,858	206,249	145,858	206,249
Performance Bonuses	1,518	2,214	1,518	2,214
Contributions to UIF, KGA life and SALGBC	51,866	73,860	51,866	73,860
Leave paid	171,175	-	171,175	-
	1,018,499	**1,178,517**	**1,018,499**	**1,178,517**

Remuneration of Engineering Manager - Mr Bavuyise Tshitshi (Appointed 1 September 2012-Left March 2018)

Annual Remuneration	670,153	871,435	670,153	871,435
Car Allowance	103,192	148,254	103,192	148,254
Performance Bonuses	88,858	70,206	88,858	70,206
Contributions to UIF, KGA life and SALGBC	1,518	2,214	1,518	2,214
Other Allowance	23,589	30,561	23,589	30,561
Leave Paid	186,278	-	186,278	-
Acting Allowance	36,181	-	36,181	-
	1,109,769	**1,122,670**	**1,109,769**	**1,122,670**

Bonuses paid to management are not performance related, they are part of their structured salary package.

Remuneration of LED Manager - Ms Zamangwane Masumpa (Appointed 1 July 2013)

Annual Remuneration	968,167	896,194	968,167	896,194
Car Allowance	221,706	206,249	221,706	206,249
Performance Bonuses	2,222	2,214	2,222	2,214
Contributions to UIF, Medical and Pension Funds	-	15,512	-	15,512
Acting Allowance	78,836	75,940	78,836	75,940
	1,270,931	**1,196,109**	**1,270,931**	**1,196,109**

Remuneration of Acting CFO - Ms Nomsisi Hlangu (Appointed 1 June 2017)				
Acting Allowance	73,511	28,308	73,511	28,308

27. Remuneration of councillors & board members

Councillors	14,020,264	11,135,415	14,020,264	11,135,415
PSJDA Board members	245,906	397,943	-	-
	14,266,170	**11,533,358**	**14,020,264**	**11,135,415**

27. Remuneration of councillors & board members (continued)

In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

2018	Annual remuneration	Backpay	Car Allowance	Cellphone Allowance	Directors emoluments	Total
Mlombile/ Cingo N Mayor	198,978	1,504	66,326	45	-	266,853
Nokhanda B- Speaker	447,137	66,016	149,045	11,770	-	673,970
Nduku/ Mazuza C- Chief Whip	330,625	45,036	110,208	20,887	-	506,757
Subtotal	976,740	112,556	325,579	32,702	-	1,447,580
Other Councillors	7,760,751	1,465,641	2,586,824	694,474	-	12,507,690
Board members	-	-	-	-	225,906	225,906
	8,737,491	**1,578,197**	**2,912,403**	**727,176**	**225,906**	**14,181,176**

2017	Annual remuneration	Backpay	Car Allowance	Cellphone allowance	Directors emoluments	Total
Rolobile L- Mayor	497,495	250	163,770	1,751	-	663,265
Khukula T - Speaker	419,540	250	139,847	328	-	559,964
Nokhanda B - Chief Whip	392,557	250	131,185	13,788	-	537,780
Subtotal	1,309,592	750	434,802	15,867	-	1,761,009
Other Councillors	6,478,255	233,851	2,158,921	503,380	-	9,374,406
Board members	-	-	-	-	397,943	397,943
	7,787,847	**234,601**	**2,593,723**	**519,247**	**397,943**	**11,533,358**

28. Debt impairment

Debt impairment	7,205,329	3,067,128	7,205,329	3,067,128

29. Depreciation

Property, plant and equipment	31,301,660	26,356,770	31,116,335	26,242,021

30. Finance costs

Finance leases	19,973	29,489	-	-
Interest charged to main bank account	-	654	-	654
Interest charged on overdue accounts	49,986	60,549	49,986	60,549
Interest on provision and employee benefits obligation	910,668	1,412,216	399,559	431,737
	980,627	**1,502,908**	**449,545**	**492,940**

Finance cost charges relate to interest charged on the main bank account, overdue accounts and also on provision and employee benefit obligation.

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

31. Contracted services

Legal fees	817,705	930,664	817,705	930,664
Security costs	-	1,089,874	-	1,089,874
Consultants and professional fees	4,730,778	8,010,863	4,730,778	8,010,863

32. Grants and subsidies paid

Other subsidies				
LED Programmes- (PSJDA)	-	7,551,239	7,322,273	7,551,239

33. General expenses

Accounting fees	520,597	378,139	240,497	206,462
Advertising	663,253	820,092	608,149	788,297
Auditors remuneration	4,654,252	5,085,304	4,169,538	4,565,496
Bank charges	138,583	127,847	126,075	113,047
Cleaning	95,237	95,643	88,380	86,680
Computer expenses	5,583	499	-	-
Consumables	319,407	169,186	319,407	169,186
Debt collection	225,263	-	225,263	-
Delivery expenses	22,236	11,135	-	-
Entertainment	267,512	279,730	267,512	279,730
Hire	59,348	472,651	59,348	472,651
Insurance	1,773,186	1,021,805	1,714,366	976,359
Community development and training	341,465	270,712	341,465	270,712
Conferences and seminars	24,579	61,761	-	-
IT expenses	12,431	24,429	-	-
Books and publications	60,510	64,781	60,510	64,781
Motor vehicle expenses	35,935	893,104	(652)	862,130
Fuel and oil	3,453,137	655,724	3,453,137	655,724
Printing and stationery	451,104	636,156	425,710	613,661
Protective clothing	677,821	321,450	677,821	321,450
Repairs and maintenance	3,808,322	3,373,040	3,791,255	3,286,336
License fees	431,190	401,310	431,190	401,310
Staff welfare	14,217	11,733	-	-
Subscriptions and membership fees	837,582	801,319	837,582	801,319
Telephone and fax	3,360,846	3,507,259	3,233,217	3,410,333
Training	924,218	403,614	924,218	403,614
Travel - local	6,696,986	4,436,031	6,304,187	4,093,887
Electricity	742,465	1,395,161	742,465	1,395,161
Uniforms	1,151	-	-	-
Penalty Charges	-	158,308	-	158,308
Penalty Charges	641,975	491,311	641,975	490,861
Grant project expenses	6,934,734	4,232,126	6,934,734	4,229,318
Staff development	3,600	32,610	-	-
Social responsibility programmes	5,716,567	5,842,413	5,716,567	5,842,413
SDL	1,004,701	1,012,772	660,498	584,233
Ward committee stipends	4,334,987	2,238,872	4,317,537	2,213,372
Other expenses	336,979	1,136,053	336,979	1,136,053
	49,591,959	**40,864,080**	**47,648,930**	**38,892,884**

34. Auditors' remuneration

Fees	4,654,252	5,085,304	4,169,538	4,565,496

Notes to the Consolidated Financial Statements

35. Net cash flows from operating activities

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017
Surplus	15,030,901	40,857,331	15,394,914	41,120,369
Adjustments for:				
Depreciation and amortisation	31,301,660	26,356,770	31,116,335	26,242,021
(Loss) gain on sale of assets and liabilities	(57,796)	1,118,338	(57,796)	1,118,337
Fair value adjustments	(105,886)	(160,104)	-	-
Finance costs - Finance leases	19,973	29,489	-	-
Debt impairment	7,205,329	3,067,128	7,205,329	3,067,128
Movements in provisions	1,029,139	838,941	705,397	-
Other non-cash items	2,176,818	(13,974,702)	2,176,818	(13,974,702)
Changes in working capital:				
Inventories	(438,254)	-	(438,254)	-
Receivables from exchange transactions (for municipalities)	241,607	-	241,607	-
Other receivables from non-exchange transactions	(1,790,474)	-	(1,790,474)	-
Other receivables	1,013,452	(89,981)	1,013,452	-
VAT	(224,089)	12,188,700	-	-
Payables from exchange transactions	2,289,101	-	2,463,238	-
VAT refund	422,700	-	422,700	12,250,099
	58,114,181	**70,231,910**	**58,453,266**	**69,823,252**

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

36. Commitments

Authorised capital expenditure

Already contracted for but not provided for				
• Property, plant and equipment	36,313,878	37,695,427	36,313,878	37,695,427
Total capital commitments				
Already contracted for but not provided for	36,313,878	37,695,427	36,313,878	37,695,427

Authorised operational expenditure

Already contracted for but not provided for				
• Sithemba Sokutu Attorneys	-	48,000	-	-
• University of Pretoria	-	453,982	-	-
• Imandi Trading 163 CC	157,600	-	-	-
• Papamakamva Trading	149,600	-	-	-
• Nelson Sandy Trading	47,866	-	-	-
	355,066	**501,982**	**-**	**-**
Total operational commitments				
Already contracted for but not provided for	355,066	501,982	-	-

This committed expenditure relates to ongoing operational activities and will be financed by existing cash resources and funds internally generated.

Operating leases libility

Minimum lease payments due				
- within one year	176,354	215,272	176,354	161,793
- in second to fifth year inclusive	879,074	810,863	879,074	806,490
- later than five years	5,099,870	5,348,808	5,099,870	5,348,808
	6,155,298	**6,374,943**	**6,155,298**	**6,317,091**

Port St Johns Local Municipality leases land from Transnet for a period of 29 years, effective from 1 January 2006. The lease payment is R 5 000 per month with an annual escalation of 9%. No contingent rent is payable. The lease agreement is not renewable..

37. Contingencies

Assets

Port St John Municipality v Coastal Properties (Pty)Ltd (D E le Roux - MAT 2409)
The Municipality instituted action against Coastal Properties (Pty)Ltd for arrear rates in the sum of R 218 878.73. Defaults Judgment was obtained. LRI has instructed its correspondent attorney to proceed to re-issue the warrant of execution. A report is awaited from the correspondent attorney.
The estimated fees are R 255 000.00

Liabilities

Mr Mfecane v Port St Municipality (D E le Roux - MAT 5596)
Mr Mfecane instituted action against the Municipality for damages allegedly suffered in the sum of R79 909 as a result of his property being unlawfully demolished. The matter is ready for trial and LRI's is still awaiting a trial date.
The estimated fees are R 159 000.00

Mr Bodlani vs Port St Johns Municipality (D E le Roux - MAT 4627)
Mr Bodlani instituted action against the Municipality for damages allegedly suffered in the sum of R 495 000 as a result of being assaulted by municipal employees. LRI is still awaiting a trial date.
The estimated fees are R 650 000.00

Almo Projects CC t/a Zamani Civils V Port St John Municipality (D E le Roux - MAT 5106)
Almo Projects CC t/a Zamani Civils Instituted action against the Municipality for alleged breach of contract in the sum of R 9 944 339,41. The claim has been ceded to Nurcha Finance Development Finance (Pty) Ltd. The matter was set down for hearing on 14 February, but could not proceed as the plaintiff's counsel was unavailable. Due to the delay in finalising the matter we have adviced the Municipality to consider referring the case to arbitration and we await a reply from the Municipal Manager.
The estimated fees are R 11 000 000.00

Bambilanga and Tshibilika vs Port St Johns Municipality (case No. 4435/2016) and (case No. 92/2017)
These matter two concerns Municipal employee who was assaulted by casual workers. He is suing the Municipality for injuries he suffered as he says that the Municipality did not put in place protective measures to protect. The attorneys of record have withdrawn from the matter, which means it now dormant until they appoint another attorney.
The estimated fees are R 500 000.00

Port Johns Municipality vs Various persons
This is an application for which an interdicted was sought and granted on the 15th of December 2017 when the interim interdict was granted. The return date is the 30th January 2018. The matter is undefended as yet.
estimated fees are R 120 000.00

Port St John Local Municipality vs SAMWU
This is the matter the Municipality is seeking an interdict to declare the strike unlawful. An interim interdict was obtained. The matter is due back in court on the 2nd of August 2018 for the final interdict.
The estimated fees are R 120 000.00

Z Ndabeni & Others vs Port St Johns
Pleadings have been closed. Awaiting trial date from thr registrar of the high court.
The estimated fees are R 200 000.00

Fundile Nogumla & Another vs Port St Johns
The Attorneys are going to hold a pre-trial conference as pleadings in the matter have been closed and they shall apply for a trial date.
The estimated fees are R 500 000.00

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

38. Related parties

Relationships

Accounting Officer: Mr Pakade (Appointed 1 April 2016 -Left March 2018)	Refer to employee related costs
Accounting Officer: Mr Mase (Appointed February 2018- Left 17 August 2018)	Refer to employee related costs
Chief Financial Officer	Refer to employee related costs
Corporate Service Manager	Refer to employee related costs
Community Service Manager	Refer to employee related costs
Engineering Manager	Refer to employee related costs
Local Economic Development Manager	Refer to employee related costs
Associates	Refer to employee related costs
Directors	Refer to members report note
Councillors	Refer to the remuneration of councillors

Related party balances

Advance on purchase of land				
OR Tambo			6,132,284	6,132,284

Related party transactions

Interest paid to (received from) related parties				
Grants Paid by the Municipality to PSJDA			7,322,273	7,551,239

39. Risk management

Financial risk management

The economic entity’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

39. Risk management (continued)

Liquidity risk

The economic entity's risk to liquidity is a result of the funds available to cover future commitments. The economic entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the economic entity's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Economic entity

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	28,899,458	-	-	-
Consumer deposits	61,000	-	-	-
Provisions	5,583,430	-	-	-

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	34,360,314	-	-	-
Consumer deposits	61,000	-	-	-
Provisions	5,259,688	-	-	-

Controlling entity

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transaction	20,235,005	-	-	-
Consumer deposits	61,000	-	-	-

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transaction	22,482,075	-	-	-
Consumer deposits	61,000	-	-	-

39. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets and liabilities exposed to credit risk at year end were as follows:

Financial instrument	Economic entity - 2018	Economic entity - 2017	Controlling entity - 2018	Controlling entity - 2017
Receivables from exchange transactions	819,721	1,061,328	819,721	1,061,328
Receivables from non exchange transactions	6,281,010	4,490,536	6,281,010	4,490,536
Cash and cash equivalencts	57,908,801	49,602,292	57,804,801	48,913,631
Payables from exchange transaction	21,741,082	24,360,314	20,036,982	22,482,075
Other receivables	733,400	1,079,572	733,400	1,079,572
Consumer deposits	61,000	61,000	61,000	61,000

Market risk

Interest rate risk

As the economic entity has no significant interest-bearing assets, the economic entity's income and operating cash flows are substantially independent of changes in market interest rates.

The economic entity's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the economic entity to cash flow interest rate risk. Borrowings issued at fixed rates expose the economic entity to fair value interest rate risk. Economic Entity policy is to maintain approximately 60% of its borrowings in fixed rate instruments. During 2018 and 2017, the economic entity's borrowings at variable rate were denominated in the Rand. The economic entity analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the economic entity calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used.

40. Going concern

The consolidated financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officers continue to procure funding for the ongoing operations for the municipality.

41. Events after the reporting date

There are no material adjusting and non-adjusting events after the reporting date.:

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017	2018	2017

42. Unauthorised expenditure

Opening balance	123,684,636	122,953,933	123,684,636	122,953,933
Community Service	2,622,536	146,124	2,622,536	146,124
Executive Council	-	584,578	-	584,578
Planning and development	15,706	-	15,706	-
	126,322,878	**123,684,635**	**126,322,878**	**123,684,635**

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes :
overspending of the total amount appropraited in the municipalit's approved budget;
overspending of the total amount appropriated for a vote in the approved budget expenditure from a vote unrelated to the department or funcitional area covered by the vote; expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose; spending of an allocation referred to in paragragh (b), (c) or (d) of the definition of "allocation otherwise than in accordance with any conditions of the allocation; or a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

Unauthourised expendirure incurred in the previous years was not investigated.

43. Fruitless and wasteful expenditure

Opening balance	24,260,352	22,688,420	17,874,250	17,327,704
Current year	1,204,710	1,571,932	693,602	546,546
	25,465,062	**24,260,352**	**18,567,852**	**17,874,250**

Friutless expenditure incured in the previous years was not investigated.

44. Irregular expenditure

Opening balance	127,498,186	115,429,865	120,662,195	108,605,374
Add: Irregular Expenditure - current year	11,660,026	12,068,321	11,660,026	12,056,821
	139,158,212	**127,498,186**	**132,322,221**	**120,662,195**

Analysis of expenditure

Irregular expenditure relates to expenditure incurred contrary to supply chain management policy and regulations. Irregular expenditure incurred in the previous years was not investigated.

45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government - SALGA

Opening balance	(820,712)	(742,224)	(820,712)	(742,224)
Current year subscription / fee	820,712	742,224	820,712	742,224
Amount paid - current year	-	(820,712)	-	(820,712)
	-	**(820,712)**	**-**	**(820,712)**

Audit fees

Opening balance	(192,740)	(31,212)	(192,740)	(31,212)
Current year subscription / fee	4,170,350	4,565,496	4,170,350	4,565,496
Amount paid - current year	(3,814,290)	(4,727,024)	(3,814,290)	(4,727,024)
	163,320	**(192,740)**	**163,320**	**(192,740)**

45. Additional disclosure in terms of Municipal Finance Management Act (continued)

PAYE , UIF and SDL

Opening balance	1,807,527	1,156,644	1,807,527	1,156,644
Current year subscription / fee	12,487,471	10,288,507	12,487,471	10,288,507
Amount paid - current year	(14,161,955)	(10,136,141)	(14,161,955)	(10,136,141)
Amount paid - previous years	451,486	498,517	451,486	498,517
	584,529	**1,807,527**	**584,529**	**1,807,527**

Pension and medical aid deductions

Opening balance	151,593	38,183	151,593	38,183
Current year subscription / fee	14,130,011	11,639,001	14,130,011	11,639,001
Amount paid - current year	(14,494,688)	(11,525,591)	(14,494,688)	(11,525,591)
	(213,084)	**151,593**	**(213,084)**	**151,593**

Vat

VAT receivable	4,264,590	3,560,129	4,264,590	3,560,129
VAT payable	4,673,978	4,898,067	-	-
	8,938,568	**8,458,196**	**4,264,590**	**3,560,129**

VAT output payables and VAT input receivables are shown in note 6.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

All councillors reside in the rural areas of Port St Johns Municipality, therefore they are not billed for any services.

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have not been condoned.

Incident				
Sole Provider	938,985	601,264	938,985	601,264
Emergency	503,798	50,270	503,798	50,270
Exceptional cases	2,367,632	1,951,255	2,367,632	1,951,255
	3,810,415	**2,602,789**	**3,810,415**	**2,602,789**

46. Budget differences

Differences between budget and actual amounts

46. Budget differences (continued)

Statement of Financial Performance

A1 Projections were based on a higher rate than the actual charged.
A2 Debtors increased, receipts reduced resulting in higher interest.
A3 Some grants were unspent and generated interest income.
A4 There was a reduction of rates.
A5 Total grants received is consist of both capital and operational grants.
A6 Fines were lower due to non operation part of the year due to instability.
A7 Projections was based on the expectation of more additions, less additions made resulting in lower depreciation.
A8 Impairment projections was based on higher rates.
A9 Due to unavailability of funds we have cut other costs.
A10 There were contracts awrded towards year end which also resulted in unspend grants.
A11 The level of operation was lower than projected due to instability.
A12 Due to instability some suppliers could not be paid within 30 days which resulted in interest charged.

Statement of Financial Position

B1 Projections were done based on the assumptution that receipts will increase due to appointment of a debt collector
B2 Projections was made based of the assumption that the rates will increase.
B3 The projections were based on the assumption that there will be investments for building offices report.
B4 Vat returns filed, VAT refund still to be received from SARS.
B5 Payments for services rendered to the Municipality was more than projected.
B6 The level of operation was lower than projected due to instability.
B7 The level of operation was lower than projected due to instability hence some of the available fund could not be used resulting on no borrowings.
B8 The projections were based on the assumption that the outstanding amounts will be recovered.
B9 The projections were based on the assumption that the contract will not be renewed.
B10 The current year valuation of the landfill resulted in lower cost than projected.
B11 The projections were based on the assumption that there will be more unallocated deposits due to migration from ABSA to Standard bank.
B12 Employee benefits plan were budgeted provision.

Cash Flow Statement

C1 Collections was lower than projected due to instability which disrupted municipal operations.
C2 Small town revitalization grant received was less than projected.
C3 The level of operation was lower than projected due to instability and the licence testing centre could not commence as projected and vat refunds still outstanding.
C4 The level of operation was lower than projected due to instability which resulted in lower spending.
C5 Less acquisitions than projected due to instability.